

Council on Postsecondary Education
November 7, 2005

Executive Summary
Postsecondary Education Budget Recommendation for 2006-08

The Council on Postsecondary Education is authorized to submit the biennial budget recommendation for postsecondary education. The following sections outline the request components for the 2006-08 budget recommendation as follows: operating budgets for CPE, Adult Education, and the institutions; trust funds/incentive funding, special initiatives; and capital funding. A detailed summary of the comprehensive funding model review and the details of a joint budget proposal which will be submitted by the Education Cabinet are included.

ACTION: The staff recommends that the Council approve the budget recommendation as submitted for 2006-08.

The major components of the request are prioritized and summarized in the following table:

Priority	Description	FY 2006-07	FY 2007-08	Biennium
1	Base Funding (Section B)	\$76,030,900	\$74,590,200	\$150,621,100
2	Strategic Trust Funds/ Incentive Programs (Section C)	40,801,600	19,850,000	60,651,600
4	Special Initiatives/Pass-Through Programs (Section D)	2,160,700	10,135,500	12,296,200
3	Capital (Section E)	7,600,000	55,597,900	63,197,900

ATTACHMENT A-1 provides a detailed overview of the budget recommendation.

Base Funding

(1) CPE Operations

- \$3,431,300 increase over the biennium to continue funding for filled positions and to secure funding for vacant positions to enable the Council staff to fulfill its responsibilities under House Bill 1 and to meet increased demands for service and analysis. In addition, funds are requested for electronic database cost increases and expansion of additional databases and restoration of interlibrary loan service.

(2) Adult Education Program Funding

- \$6 million increase in program funding requested for the biennium to continue and enhance program services related to adult education programs statewide.
- Funding will be allocated to county programs through grants for adult education services geared toward completion of GED, workforce/employment initiatives, basic literacy, participation and engagement in adult learning opportunities, and transition of students into postsecondary education.

(3) Benchmark Funding for Postsecondary Institutions

- The request seeks to increase the base funding for each institution to 5 percent above the average of benchmark peers as approved by the Council in 2005 over the next four years. Every institution's request reflects at least a 5 percent annual increase over the enacted General Fund base net of mandated programs.
- The request provides an alternative calculation for KSU based on the relationship of its size and fixed costs.
- An additional 5 percent or \$3.5 million is also requested for a performance component related directly to the key indicators of the public agenda in the second year of the biennium.

Summary of biennium increase recommendations by institution:

<i>Institution</i>	<i>Biennial Increase</i>
Eastern Kentucky University	\$7,362,200
KCTCS	39,104,200
Kentucky State University	1,920,500
Morehead State University	4,342,800
Murray State University	5,159,800
Northern Kentucky University	11,173,600
University of Kentucky	27,346,600
University of Louisville	27,556,700
Western Kentucky University	13,723,400

Strategic Trust Funds/Incentive Programs

The staff recommends that the Council request \$40,801,600 in FY 2006-07 and \$19,850,000 in FY 2007-08 for three trust funds and three incentive funding programs. A summary of the recommended increases by trust fund or funding program is provided in the table below.

<i>Trust Fund/Incentive Funding Program</i>	<i>Biennial Increase</i>
Research Challenge Trust Fund (Endowment Match Program)	\$12,000,000
Research Support Funding Program	22,000,000
Science and Technology Funding Program	850,000
Regional Stewardship Funding Program	18,000,000
Technology Initiative Trust Fund	3,801,600
Postsecondary Workforce Development Trust Fund	4,000,000
TOTAL	\$60,651,600

(1) Research Challenge Trust Fund (\$12,000,000). The Endowment Match Program encourages private investment in public higher education research activities to stimulate business development, generate increases in externally sponsored research, create better jobs and a higher standard of living, and facilitate Kentucky's transition to a knowledge-based economy (Bucks for Brains).

(2) Research Support Funding Program (\$22,000,000). The primary goals of the program are to promote economic development, create high-tech jobs, and raise the average standard of living of Kentucky residents through strategic investments in research faculty, infrastructure, and initiatives at the University of Kentucky and the University of Louisville.

(3) Science and Technology Funding Program (\$850,000)

- ConnectKentucky. To fund maintenance and enhancement of a database connecting postsecondary researchers, research projects, and funding agencies.
- P-16 Joint Engineering Program. Enhance the P-16 pipeline for the production of engineers and engineering technologists to improve the economy and create economic development opportunities for the state.

(4) Regional Stewardship Funding Program (\$18,000,000). The main goal of the Regional Stewardship Funding Program is to promote regional or statewide economic development, livable communities, social inclusion, creative governance, and civic participation through public engagement activities initiated by postsecondary institution faculty and staff.

(5) Technology Initiative Trust Fund (\$3,801,600)

- Kentucky Postsecondary Education Network (KPEN). To support Internet protocol-optimized networks specifically designed for higher educational requirements and applications. Supports high-demand, high access Internet users and provides mechanism for future expansion.
- Education Leadership Redesign Initiative. To support university and school district efforts to redesign education leadership programs in Kentucky to produce a new generation of school leaders who are able to effectively address issues of curriculum design and delivery, assessment, and administration.
- College Access Initiative. To continue the successes of the “Go Higher Kentucky” communications campaign, with the main goals of this initiative to increase the educational attainment and income levels of the state’s citizens to the national average by 2020.
- Faculty Development Program. To provide professional development in research and teaching that better enables faculty to support the public agenda for postsecondary education.
- College-Level Learning Assessment Project. To support Kentucky’s participation in the National Center for Public Policy in Higher Education’s *Measuring Up 2008 Learning Grade* and to assess the quality of student learning in Kentucky’s postsecondary system.
- Public Health Initiative. To support a collaborative effort among the Public Health Advisory Committee (composed of the deans from four Kentucky postsecondary institutions offering graduate programs in public health), the Commissioner for Public Health, and the Council on Postsecondary Education to implement the Strategic Plan for Public Health Education and Research (approved by the Council in July 2004).

- Academic Innovation and Collaboration Grants. To fund proposals that stimulate partnerships among postsecondary institutions and private and public sector organizations that expand academic programs addressing current and projected workforce needs.

(6) Postsecondary Workforce Development Trust Fund (\$4,000,000). The principal aims of the program are to encourage private support of public postsecondary workforce development and transfer initiatives; to support the transfer of baccalaureate degree-seeking, KCTCS associate degree completers to Kentucky public and independent colleges; and to bolster KCTCS workforce development and transfer programs in areas of strategic benefit to the Commonwealth.

Special Initiatives and Pass-Through Programs

Institutional Initiatives

The institutions submitted requests for special initiatives to the Council. These special initiatives were evaluated based on criteria related to the public agenda's goals and objectives. The following table summarizes the recommended initiatives:

<i>Special Institutional Initiatives</i>	<i>Biennial Increase</i>
Center for Instructional Technology (EKU)	\$500,000
Kentucky Early College (MoSU, KCTCS)	100,000
Improved Student Services at Regional Campuses (MoSU)	300,000
2+2 Middle School Math/Science Teacher Prep. (MuSU)	200,000
Academic Transformation (NKU)	300,000
Kentucky Academy of Math and Science (WKU)	2,000,000
University Center of the Mountains (KCTCS)	900,000
Kentucky School of Craft (KCTCS)	500,000
TOTAL	\$4,800,000

- Commonwealth Center for Instructional Technology and Learning (EKU) - To create a Web-based delivery system that provides evidence-based PK-12 instructional interventions, curricular and instructional strategies, and Web-based advisors to Kentucky's teachers.
- Kentucky Early College (MoSU, KCTCS) - A collaborative project among MoSU, KCTCS, and the Pike County Board of Education that allows participating students to earn up to two years of college credit while in high school. The project also includes distance learning for teacher professional development.
- Improved Student Services at Regional Campuses (MoSU) - To appoint student counselors at each of MoSU's five regional campuses who can counsel students about financial aid or study skills and provide key student services.

- 2+2 Middle School Math and Science Teacher Preparation Program (MuSU) -To increase the number of certified teachers in critical shortage areas by enhancing 2+2 baccalaureate program offerings in Henderson, Hopkinsville, Madisonville, and Paducah. Program funding will be used to hire full-time assistant professors to teach math and science portions of program curricula.
- Academic Transformation (NKU) - To transform the ways courses are designed and taught to reduce costs, expand capacity, and improve student learning and success.
- Kentucky Academy of Math and Science (WKU) - A residential, early-admissions program for high-achieving Kentucky students who are interested in math and science. The academy allows gifted young people to learn at challenging levels and addresses Kentucky's need for leadership in Science, Technology, Engineering, and Math (STEM) careers.
- University Center of the Mountains (KCTCS) - Gives citizens of southeast Kentucky direct access to a public four-year education. The absence of a conveniently located university in this region has limited student access to bachelor's and master's degrees.
- Kentucky School of Craft (KCTCS) - A regional collaboration and partnership that provides training for various crafts, which is a critical component of the economic development plan of Hindman and Knott County.

Council Initiatives and Pass-Through Programs

<i>Council Initiatives</i>	<i>Biennial Increase</i>
Retention/Affordability Initiative	\$4,000,000
Commonwealth of Kentucky Principal Leadership Institute	2,000,000
Contract Spaces	922,300
Governor's Minority Student College Prep. Program	240,500
SREB Doctoral Scholars Program	233,400
KY Early Math Testing Program	100,000
TOTAL	\$7,496,200

- Retention/Affordability Initiative- To support strategies related to questions 1, 2, and 3 of the public agenda for low income students and low income service regions of the Commonwealth.
- Commonwealth of Kentucky Principal Leadership Institute- Collaborative enterprise among Kentucky universities that have education leadership programs to improve K-12 student learning by providing specialized training to principals.
- Contract Spaces- Funds spaces in veterinary medicine and optometry for Kentucky students in programs in other states since these programs do not exist in Kentucky.
- Governor's Minority Student College Preparation Program- To provide academic enrichment activities for middle and high school minority students, to encourage pursuit of higher education, and to prepare them for college level work.
- SREB Doctoral Scholars Program- Cooperative, interstate venture that encourages minority students to enroll in and complete doctoral degree programs.

- Kentucky Early Math Testing Program- Statewide online diagnostic test to help high school students identify academic deficiencies that should be corrected before entering college to minimize remediation.

Capital

The recommendation includes capital project financing as follows:

State General Fund dollars:

- State funding of \$15 million in projects for capital renewal and maintenance.
- State funding of \$467.2 million in projects to construct new space and to renovate existing educational and general facilities (projects are priority ranked).
- State funding of \$25 million for an information technology and equipment pool.

Other sources of funds:

- \$488.7 million in institutionally funded agency bond projects for the highest institutional priorities.
- Restricted agency-funded projects for life safety, major maintenance, equipment acquisitions, infrastructure repair, and upgrades.
- Nine institutionally funded projects to improve energy efficiency.

Summary of 2006-08 General Fund Budget Recommendation for Postsecondary Education							
Draft Recommended Priorities	Enacted FY 2005-06	Requested FY 2006-07	Dollar Increase FY 2006-07	Requested FY 2007-08	Dollar Increase FY 2007-08	Dollar Increase Biennium	
1	Base Funding:						
	Institutional Benchmark Funding						
	Eastern Kentucky University	77,470,800	81,151,900	3,681,100	84,833,000	3,681,100	7,362,200
	KCTCS	207,750,700	227,302,800	19,552,100	246,854,900	19,552,100	39,104,200
	Kentucky State University	25,248,300	26,688,700	1,440,400	27,168,800	480,100	1,920,500
	Morehead State University	44,839,500	47,010,900	2,171,400	49,182,300	2,171,400	4,342,800
	Murray State University	54,954,200	57,535,700	2,581,500	60,114,000	2,578,300	5,159,800
	Northern Kentucky University	51,333,500	56,920,300	5,586,800	62,507,100	5,586,800	11,173,600
	University of Kentucky	314,302,200	328,024,400	13,722,200	341,648,800	13,624,400	27,346,600
	University of Louisville	183,687,900	197,179,800	13,491,900	211,244,600	14,064,800	27,556,700
	Western Kentucky University	78,038,800	84,900,500	6,861,700	91,762,200	6,861,700	13,723,400
	Performance Funding			3,500,000	3,500,000		3,500,000
	Total Institutional Benchmark Funding	1,037,625,900	1,106,715,000	69,089,100	1,178,815,700	72,100,700	141,189,800
	Council Operations	10,936,800	13,878,600	2,941,800	14,368,100	489,500	3,431,300
	Adult Education Program	22,026,000	26,026,000	4,000,000	28,026,000	2,000,000	6,000,000
2	Trust Funds/Incentive Funding Programs						
	Endowment Match (Research Challenge) ¹	-	12,000,000	12,000,000	-	-	12,000,000
	Research Support Program Nonrecurring ¹	-	18,000,000	18,000,000	-	-	18,000,000
	Research Support Program Recurring ²	-	4,000,000	4,000,000	4,000,000	-	4,000,000
	Science and Technology ²	10,005,900	10,605,900	600,000	10,855,900	250,000	850,000
	Regional Stewardship ²	-	3,000,000	3,000,000	18,000,000	15,000,000	18,000,000
	Technology Trust Fund ²	2,050,500	4,752,100	2,701,600	5,852,100	1,100,000	3,801,600
	Workforce/Transfer Nonrecurring ¹	-	500,000	500,000	-	-	500,000
	Workforce/Transfer Recurring ²	-	-	-	3,500,000	3,500,000	3,500,000
4	Special Initiatives/Pass Through						
	Council Initiatives/Pass Through	6,228,300	7,889,000	1,660,700	13,724,500	5,835,500	7,496,200
	Institutional Special Initiatives	-	500,000	500,000	4,800,000	4,300,000	4,800,000
	Total Recurring General Fund	1,088,873,400	1,177,366,600	88,493,200	1,281,942,300	104,575,700	193,068,900
	Total Nonrecurring General Fund		30,500,000	30,500,000	-	-	30,500,000
							17.73%
¹ Funds are nonrecurring. ² Funds are recurring.							
3	Capital:						
	Capital Renewal ³	-	-	-	1,578,000	1,578,000	1,578,000
	E&G Projects ³	-	-	-	31,076,700	31,076,700	31,076,700
	Research & Economic Projects ³	-	-	-	17,908,200	17,908,200	17,908,200
	Information/Tech Equipment Purchase ³	-	-	-	5,035,000	5,035,000	5,035,000
	Research & Economic Project Design ⁴	-	7,600,000	7,600,000			7,600,000
	Total Capital	-	7,600,000	7,600,000	55,597,900	55,597,900	63,197,900
	Programs Funded Through Other Fund Sources						
	KHEAA -Need Based Financial Aid (CAP &KTG) - [Lottery] ⁵	87,382,300	145,337,300	57,955,000	148,133,300	2,796,000	60,751,000
	KHEAA -KEES Program - [Lottery] ⁵	73,125,000	88,034,100	14,909,100	88,911,100	877,000	15,786,100
³ These funds are General Fund appropriations for debt service totaling \$55,597,900 to support \$507.1 M in state bonds related to 15 E&G projects , four Research/Economic Development projects and two statewide projects. ⁴ This is a General Fund appropriation for project planning and design related to a Research / Economic Development project. ⁵ The Council considers student financial							

¹ Funds are nonrecurring.

² Funds are recurring.

³ These funds are General Fund appropriations for debt service totaling \$55,597,900 to support \$507.1 M in state bonds related to 15 E&G projects , four Research/Economic Development projects and two statewide projects.

⁴ This is a General Fund appropriation for project planning and design related to a Research / Economic Development project.

⁵ The Council considers student financial aid to be a high priority even though KHEAA's funding request is not a budget recommendation responsibility of CPE.